

Tips for HR managers of German companies entering the Vietnamese market

Bachelor's Thesis
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Table of Abbreviations

HR	Human resource
HRM	Human resource management
GmbH	Gesellschaft mit beschränkter Haftung (Limited Liability Company)
AG	Aktiengesellschaft (Joint-Stock Company)
MNE	Multinational enterprise
VND	Viet Nam Dong (the currency of Vietnam)
WTO	World Trade Organization
FDI	Foreign Direct Investment
UNPD	United Nations Development Programme
GDP	Gross Domestic Product
SWOT	Strengths – Weaknesses – Opportunities - Threats
GBA	German Business Association
ASEAN	Association of Southeast Asian Nations
EU	European Union
USD	U.S. Dollar
CEO	Chief executive officer
FMCG	Fast-moving consumer goods

1. Introduction

Aim

The subject of this paper is human resource management, with the emphasis on how to retain employees for German companies operating in the Vietnamese market. It aims to analyze the current situation of Vietnam's macro environment and then come up with solutions to help German companies retain their employees in this potential market. This work is under the supervision of Prof. Dr. Daniela Eisele from Heilbronn University.

Fast growing economy with high potential human capital - Vietnam

Vietnam's economic reform called "Doi Moi" was launched in 1986, and since joining the World Trade Organization (WTO) in 2007, has transformed the country from one of the poorest to one of the fastest growing nations in the world today. It has had annual GDP growth of 7 percent between 2000 and 2005, and 6.8 percent in 2010 (cf. The World Bank, 2013). Vietnam is a worth-investing country, alongside Singapore, Malaysia, Indonesia, and other Southeast Asian nations. The total registered-invested capital in 2012 was more than 210 billion US dollars including above 1 billion US dollars of FDI (Foreign Direct Investment) from Germany, among the top 22 countries who most invested in Vietnam (cf. VietnamReport, 2012).

Beside the significant economic growth, stable political environment and an especially huge workforce market, are factors that attract foreign investors to Vietnam. Not mentioning other political issues, such as freedom of speech, government effectiveness, regulatory quality and control of corruption, the political stability with no terrorism and no serious protests makes Vietnam a safe country for investing. Another main factor that attracts foreign investors is Vietnam's human capital. With nearly 90 million of citizens, and young population, this is a huge potential market for labor (cf. The World Bank, 2013, p. 5). Furthermore, the Vietnamese labor price is believed to be one of the cheapest in Asia (cf. The World Bank, 2013, p. 99). As a result, human resource management is a critical field which is worth focusing on for foreign investors entering Vietnam.

Growing trend of German companies investing in the Vietnamese market

Up to now, there have been more and more German companies investing in Vietnam. Germany is a leader in high-technology, especially automotive technology. Some of the well-known automotive brands such as Mercedes-Benz, Audi, BMW, Volkswagen are from this European

country. As a result, there are also many German engineering and electronic enterprises that provide components and products for this large automotive industry.

With the advantages of Vietnam and Germany mentioned above, in this thesis, the author will be focusing on the human resource management of German engineering and electronic companies entering the Vietnamese market. In other words, it will focus on the retaining problems that HR managers of German companies may have to face as well as suggest solutions to utilize the huge potential workforce of this promising country.

1.1 Overview of the problem



Figure 1: Overview of the problem

Source: author

Recently there have been more and more foreign companies conquering Southeast Asia markets, especially Vietnam. As a result, there has been a huge demand for qualified workforce in this country. The workforce in Vietnam is large and young. However, there is a lack of skilled employees. As a result, the companies try to take on qualified people from each other by giving higher compensation, a better workplace, and so on. Therefore, the problem is to retain employees.

Human resource management and especially retention are considered some of the most important aspects of an enterprise, especially if German companies want to utilize the

advantages of the young and diverse local human resource. Nevertheless, cultural differences, and differences between ways of working may cause problems in every stage of human resource management (HRM) for German Human Resource Managers operating in Vietnam.

1.2 Objective of the thesis

Taking advantage of the human resources in Vietnam, as well as making them professional and keeping them loyal are issues worth discussing.

In short, the main goal of the thesis is to provide “Tips for HR Managers of German companies entering the Vietnamese market”. It will not cover every aspect of HRM, but one of the most discussed issues today, retaining people. This paper will suggest solutions and after that, the solutions will be evaluated by real HR Managers of German companies in Vietnam.

1.3 Research Methodology

To come up with the tips for HR managers of German companies entering Vietnam, the work is divided into five main chapters. First of all, an overview of the macro environment of Vietnam, including political, economic, social, technical and ecological factors, will be introduced and followed by a SWOT analysis about Vietnam. Afterwards, information about German – Vietnamese economic relationship as well as certain investment regulations of Vietnam will be given to ensure an understanding about the current status of these countries’ partnership and rules of investment. Then, a fictional German engineering and electronic company entering the Vietnamese market and its situation will be described in detail, from the structure of the organization to its overall strategy and its purposes of entering the Vietnamese market. This fictional company represents German companies in this type entering this country in reality. The following chapter is the most important one of the thesis. The problem related to retaining people that the fictional company might have to face with will be discussed based on the recent status of Vietnam’s macro environment and its human capital which is most relevant to HRM. To come up with the tips for HR managers, variable solutions from recruitment to compensation are provided and explained. Next, to measure their feasibility, the suggested solutions are evaluated by real German HR professionals who have been already sailing their HRM boats in the Vietnamese market. Last, but not least, all the findings, the assessment together with the previous chapters will be summed up in the conclusion to give the reader an overview.

2. Macro-environment analysis about Vietnam (PESTE Analysis)

2.1 Political environment

The political system of Vietnam is a single-party communist state, where the President is the head of state and the Prime Minister is the head of government. The executive power and activities are exercised by the President of Vietnam and its government. The legislative power is vested to the National Assembly of Vietnam (cf. Socialist Republic of Vietnam, 2013).

The President of Vietnam is elected by the National Assembly for a five-year term and acts as the commander of the Vietnam People's Armed Forces as well as the Chairman of the Council for Defense and Security. The government is headed by the Prime Minister, followed by several Deputy Prime Ministers and some ministers who are in charge of particular responsibilities and tasks. The National Assembly is unicameral (only has one chamber).

According to Country Data Report for VIETNAM, 1996 – 2011 published by World Bank, all the six individual indicators including Voice & Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption have shown an overview of the political environment and the governance of Vietnam in the recent decade. Vietnam's government effectiveness, quality of regulation, control of corruption rates are more or less in the middle of the world's rates (between 30 percent and 50 percent out of 100 percent ranking). Moreover, the freedom level in this country is very low compared to the world (only 10 percent out of 100 percent ranking). The freedom ranking describes how much citizens are able to participate in selecting their government, freely express themselves. However, the political stability and absence of violence indexes are relatively high. It seems to be a bright point of Vietnamese political environment compared to other countries. Almost no terrorism and very few negative protests make Vietnam a safe country. Through these facts, Vietnam is assessed to be a politically stable and safe country but not a strong democracy with much freedom. The government of Vietnam currently is believed to be corrupt and monopolistic (cf. The World Bank, 2012).

However, over the last few years, this country's politics has evolved towards bigger openness and greater opportunity for civil participation in the government. Also, the Vietnamese National Assembly's ability to balance and allocate the executive power in the government has

strengthened. Therefore, openness and greater freedom will support Vietnam in becoming a modern industrialized society and make it more worth investing into.

There are still many complicated administrative procedures and complex laws and regulations. For instance, an investor still needs to spend 34 days to start a business in Vietnam. Meanwhile it only takes 14.5 days to do so in Germany (cf. The World Bank, 2013).

The policy landscape of Vietnam is currently too complicated with many different taxes. A small-medium size company in Vietnam needs to submit 32 different taxes annually; meanwhile this number in Hong Kong is 3 taxes a year (cf. The World Bank, 2012).

Thereby, one of the major tasks of Vietnamese politics is to tackle today's limited effective governance and lack of transparency, to increase citizens' participation and unity in Vietnam, as well as to engage proactively in international integration.

2.2 Economic environment

During the past 20 years, Vietnam has emerged as one of the success stories of Asia. By replacing the centrally-planned economy with a new economic model called socialist-oriented market economy, Vietnam has gained success in improving its own economic status. Its economy has been growing very fast since 1990 and is now one of the world's fastest growing economies. The economy is expected to become the world's 17th-largest by 2025, with an estimated nominal GDP of \$436 billion, according to a forecast in December 2005 by Goldman Sachs (cf. Lamond. A, 2011, p. 5). Furthermore, the country now aims to become basically industrialized in the next 10 years. Many economists believe that Vietnam will be worth further investment from global investors, and this illustrates the general opinion that this is a country possessing huge potential.

Key development:

Over the last ten years, after the economic transform called "DoiMoi", Vietnam has proved its dramatic change with an average annual GDP growth rate of 7.3 percent, the second-highest of the region after China. Like other countries, Vietnam also suffered from the world financial crisis in 2008 – 2009, but then recovered quickly with GDP growth rate of 6.78 percent in the year 2010, as can be seen in the chart below.



Source: General Statistics Office

Figure 2: GDP of Vietnam, 2000 – 2010

Source: German Business Association in Vietnam (GBA), 2011

The country has transformed from a centrally-planned economy with heavy bureaucracy into a socialist oriented market economy with dynamism and rapidly developing entrepreneurship. Also, Vietnam has integrated strongly with the regional and global economies, leading to a dramatic growth in foreign trade volumes and strong flow of foreign investment.

As a result of this fabulous growth, its economy became imbalanced and its inflation rate soared to 11.8 percent in December 2010 (cf. Asean Latin Business Forum 2012, 2012). Furthermore, the Vietnam Dong was devalued three times in the same year. The government has shifted its attention from driving economic growth towards managing macroeconomic imbalances as well as fighting inflation.

Vietnam has maintained a high and stable economical developing speed, especially in recent years. Foreign Direct Investment (FDI) is always at high levels. FDI to Vietnam in the first quarter of 2013 hit over 6 billion USD, with a growth of 63.6 percent year on year.

Foreign Direct Investment:

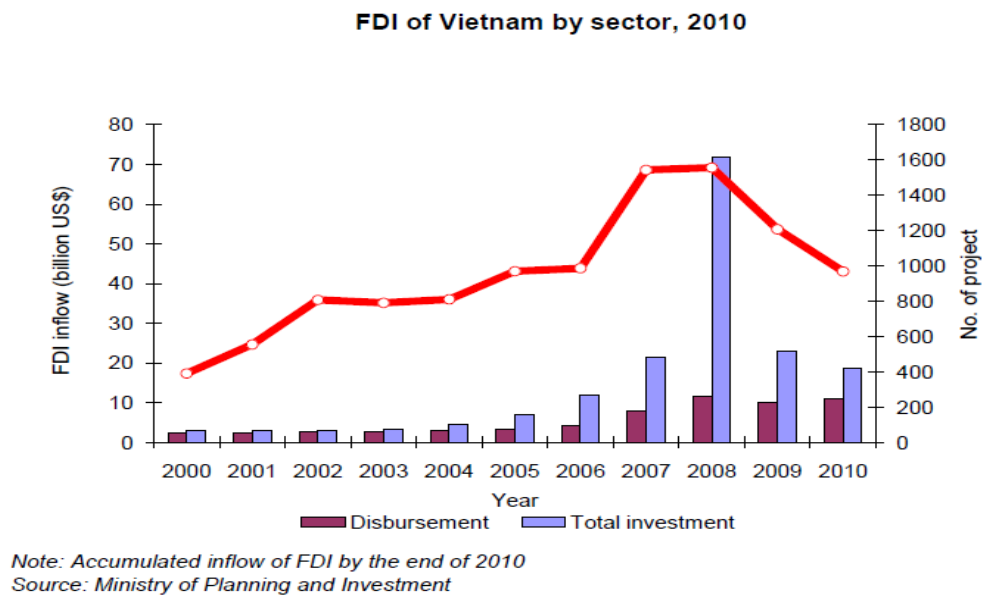


Figure 3: FDI of Vietnam by sector, 2010

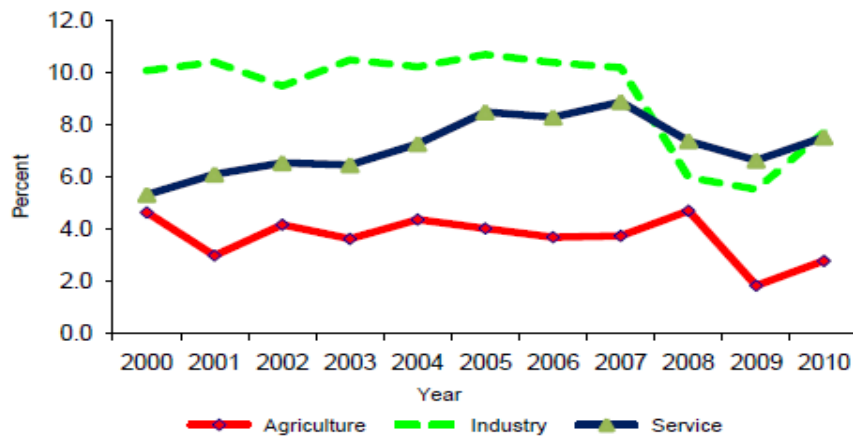
Source: German Business Association in Vietnam (GBA), 2011

As pointed out in the Guidebook on Business and Investment in Vietnam, 12 236 foreign investment projects with total registered capital of \$193.4 billion were licensed. According to the bar chart, the inflow of FDI peaked in 2008 with total investment of around \$70 billion and approximately 1600 projects. Afterwards, there was a deep downturn due to the impact of the world's financial crisis starting from 2007, leading to a decrease of more than \$30 billion from 2008 to 2010.

Investment in Vietnam has come from 92 countries in Asia, America and Europe. Taiwan, Singapore, Republic of Korea, Malaysia and Japan are the top countries investing in Vietnam. In short, the inflow of FDI has increased quickly over the past few years, making itself a dynamic component of the economy. It has also made a crucial contribution to improving the efficiency and competitiveness of Vietnam's economy (cf. The World Bank, 2013, pp. 11 - 12).

Changes in economic sectors: Agriculture, industry and services

Vietnam has had significant changes in its economic structure as the country's GDP has continuously increased.



Source: General Statistics Office

Figure 4: Vietnam's growth rate by sector, 2000 – 2010

Source: German Business Association in Vietnam, 2011

From the chart we can see that in the period between 2000 and 2010 the agriculture sector slowed down gently from around 5 percent in 2000 to about 3 percent in 2010. Meanwhile the industry sector seemed to remain constant from 2000 to 2007. With the impact of the world's financial crisis, in the middle of 2007, it decreased significantly from 10 percent to approximately 6 percent in the following year and then continued to slow down to about 5 percent in 2009. However, Vietnam's industry sector seemed to recover afterwards with a growth of 3 percent, reaching 8 percent in 2010. In terms of the service sector, the figure shows that it grew gently between 2000 and 2007 from around 5 to 8 percent. Like the other sectors, the service sector also suffered from the big economic crisis with the decline of approximately 2 percent, reaching around 6 percent since 2000. Nevertheless, with Vietnam's overall economic recovery, this sector also recovered with an increase to around 7 percent, meeting exactly the growth point of the industry sector. In summary, Vietnam's industry and service sectors have been growing at a similar rate while its agriculture sector slowed down and left a big gap of 5 percent to the other two sectors. This reflects the market-oriented economic reforms with a gradual reduction in barriers to private sector development. Vietnam also shows improvements in physical infrastructure. Larger diversification in service and industry has created the foundation for a sustainable growth in production and employment.

Despite having experienced hardship, the agriculture sector still plays an important part in the country's socio-economic life. It creates around 57 percent of total employment and contributes

to the country's foreign trade since Vietnam is amongst the leading nations in exporting rice, coffee and cashew nuts as well as aqua-products (cf. The World Bank, 2012, p.8).

In terms of the industry sector, beside state-owned companies, foreign-invested and private ones play an increasingly crucial role in the development of industry and exports.

International trade of Vietnam:



Source: General Statistics Office

Figure 5: International trade of Vietnam, 2000 – 2010

Source: German Business Association in Vietnam, 2011

The bar chart illustrates the international trade of Vietnam including exports and imports from 2000 to 2010. The total import volume of Vietnam has increased by 19.2 percent a year on average while its export volume grew by 18 percent per year on average in 10 years. In the end of the selected period of time, Vietnam's export volume reached \$71.6 billion and its import volume achieved \$84 billion, leading to a total trade volume of \$155.6 billion, equal to 149 percent of the country's GDP.

The quality of exports has improved dramatically. Oil, footwear, textiles, seafood and wood products were five main export items of the country.

As the country is in the early phase of its industrialization and modernization process, Vietnam receives a significant inflow of foreign direct investment. As a result, it focuses on importing high-tech equipment and materials.

Vietnam's trade relations with foreign nations, especially other countries in Asia have expanded over the time. China, America, ASEAN, EU, Japan and South Korea have been the main trading partners of Vietnam (cf. The World Bank, 2012, p. 10).

SWOT analysis of Vietnam	
Strengths Stable politics and social security. One of the fastest developing economies in Asia with average GDP growth of 7.2 percent over the last ten years. Abundant human capital (labor force of 46 million people; young, hard-working, educated and motivated work force; 60 percent of population under 35 years old). Competitive business, production and labor costs. Available natural resources, energy and mineral (coal, oil, gas, etc.). Central location of Southeast Asia with a long coast.	Weaknesses Few skilled professional experts available. High bureaucratic barriers. Weak infrastructure (transportation, power, etc.). Underdeveloped supporting industries.
Opportunities Global integration (APEC, ASEAN, WTO membership) One of the most open economies in the world Higher demand for consumer goods as well as capital goods with better quality because it is a lower middle income nation and now aiming at becoming an industrialized country. Export oriented industries Infrastructure (road, railway, airport, seaport, power, etc) projects funded by foreign investors and international donors.	Threats High inflation. Devaluation of the Vietnamese currency (VND) Banking and finance sector are in early stage Low national reserves

Figure 6: SWOT analysis of Vietnam's Macro-environment

Source: combined by the author

2.3 Social environment

Vietnam has a large population and also a high literacy rate, estimated at 94 percent in 2009, relatively higher than other countries in the region.

It is still a poor country. Nevertheless, Vietnam has been recognized by the UNDP as achieving one of the fastest poverty reduction records of the world. The proportion of the population living below the national poverty line decreased from 22.2 percent in 2004 to 14.8 percent in 2009. Notwithstanding, the Vietnamese government admitted that the amount of people falling under poverty lines remains high. Probably due to the fact the process of poverty alleviation has been not even.

Living standards

The local living standards after the „Doi Moi“ economic reform in 1987 have improved with a rising GDP per capita over the past quarter century.

Nevertheless, the big gap between the rural and urban areas' living standards still exist and is even extending. The national poverty rate decreased from 37.4 percent in 1998 to 10 percent in 2012. In fact, the poverty rate in urban areas is higher than in rural regions because of higher living costs.

For foreigners, the living standards here can be considered quite good due to low cost of daily living. Fairly good education, accommodation, plus easy local and international travel, as well as modern media and communications are all available to in major cities of Vietnam and also in important economic regions within the country (cf. Grant Thornton Vietnam, 2012, p. 7).

Culture differences

Like other Far-East nations, Vietnam has a “high context” culture. This means that words might have different meanings in different contexts. Some aspects of behaviors are not explicit because the natives can extrapolate meaning and what people really think, from particular situations and contexts. This can be the most important characteristic of Vietnamese communication culture. Therefore, situations, attitude, gestures, body language and other non-verbal behaviors moderate the meaning of the words spoken in that particular context.

To Vietnamese, saving face is an important concept and they will prevent loss of face at any cost. Confrontation or straight complaining should be avoided when coping with the issues immediately. Criticizing someone in public may include the threat of making them lose face.

For a conversation or a formal greeting, it is hard to use Vietnamese because one has to address the Vietnamese person differently in the language depending on their age, gender and relation with the speaker. Foreigners may either learn the greeting precisely or ignore it. Therefore, using English or have a translator is a good choice. Thus, having a friendly smile and bowing your head slightly to show respect during a handshake should be enough to create a friendly start.

Another noteworthy aspect is that Vietnamese names are not in the same order like Westerners'. It starts with family name, followed by middle name and finally given name. Vietnamese are usually known in daily life by their given names, but in formal documents, the full names should be used. Because only the given name is used in both informal and formal contexts, when receiving a business card, one should first look at the last name in the row to identify the person's given name. In addition, business cards are usually exchanged at the first meetings.

In terms of punctuality and meetings, it is important to be punctual in business meetings, especially with governmental agencies. With governmental agencies or even with some normal companies, meetings are traditionally a series of long formal speeches rather than relaxing conversations. However, this is changing nowadays because more and more Vietnamese businesspeople have been adapting Western ways of working. Normally, the first meeting is the most formal compared to following meetings. In the first meeting, it is best to introduce one's self and business and get to know the other party. Moreover, requests for serious conversation should be left to next meetings.

Furthermore, gifts should be prepared for the first meeting. Such small gifts like tie tacks, business pens, or books may be enough and are relatively inexpensive. The gifts should be wrapped in color giftwrap, excluded black and white because in Vietnamese's thinking, these colors are associated with death (cf. Smith, E. & Cuong Pham, Jr., 1996).

Labour

Labor force

Vietnam's labor force is an important component for its competitive advantage on sustainable development. The country is known for its young, highly literate, hard-working labor force. In 2010, the workforce of Vietnam was about 46 million, with around 15 million people being added to the labor force each year. Nevertheless, training conducted by professional experts in human resources is important to improve Vietnam's capability and qualification to meet foreign investors' expectations (cf. KPMG Vietnam Ltd., 2011, p. 8).

Labour Contract

A labor contract must conform to Vietnamese laws and also collective agreements (if any). It must clearly state the work involved, working hours as well as rest breaks, salaries, term of contract, social and medical insurance and so on.

In terms of probationary agreements, they are usually included in the contracts. Its length varies, depending on the nature and complexity of the job (cf. UHY Audit and Advisory Services Limited, 2011, p. 15)

Recruitment

Employers can recruit employees directly or through a third party, which means employment service agencies. Also, they can decrease or increase the number of employees they hire in accordance with their business situations and requirements in compliance with the laws.

Employers must agree on labor contracts with their employees. Both sides might agree on a probationary period that must be not more than 60 days for the jobs which require special technical skills and 30 days for others. The employers must pay at least 70% of the regular wage to employees on probation. Foreigners that work for Vietnamese companies, organizations, or individuals must have a working permit from the local Department of Labor. Working permits require specific documentation and may take some time to arrange. Therefore they need to be planned in advance to make sure that employment obligations are met (cf. Russin & Vecchi, LLC 2004, p. 7).

It is noted that foreigners are not required to obtain work permits in every case. Working permits are not needed for the expatriates when they are providing technical assistance for a short time. Nevertheless, there are also other requirements to be fulfilled to satisfy these exceptions.

Work hours

Normal working hours in Vietnam are 8 hours a day and 6 days per week. Despite the standard working hours per week for officials, employees in administrative organization as well as public employees work 40 hours (cf. UHY Audit and Advisory Services Limited, 2011, p. 15).

Rest

The laborers should have at least 24 straight hours for resting and thus the employers must ensure that their employees have at least four days of rest in a month.

There are 8 and 12 days paid annual leaves for employees who work for less and more than one year respectively. The number can be 14 to 16 days if the employee has difficult working conditions. The annual leave increases as one's seniority grows (cf. UHY Audit and Advisory Services Limited, 2011, p. 16).

Statutory Minimums

Salary levels must be more than the legally regulated minimum level. The minimum monthly salary for a domestic company is about US\$43. Possibly in the future, there will be no big differences in minimum wage rates between domestic and foreign-owned enterprises (cf. UHY Audit and Advisory Services Limited, 2011, p. 16)

Education

According to World Bank, Vietnam's education has been growing and improving impressively over a short period of time. Its school attendance rate as well as literacy rate can compare favorably to the other nations with the same average income level in the region.

Nevertheless, Vietnam still faces some challenges in shortening the gaps in access and learning amongst its different population groups. Also, there is still a lack of skilled labors for the market and thus the quality of teaching and learning needs to be improved to meet the demand of the labor market (cf. The World Bank, 2012).

2.4 Technical environment

Vietnamese technologies have improved and supported both production and the economy. It helps in inheriting and adapting the technology effectively from developed countries. Therefore, the technical level in some industries such as production and service has improved significantly and as a result, many products have better competitiveness.

Although there are certain great achievements, Vietnamese sciences and technologies are in general weak, far below from the world average and other nations in the region. Vietnam's technologies have not met the demand of being the foundation for its social and economic developments.

One of the reasons for this slow improvement is due to a lack of investment for sciences and technologies, from the society and especially from enterprises. The technical facilities of institutes, universities are not enough and out of date.

Vietnam's sciences and technologies' systems, including the research in this field, consultation about technology transfer, copyrights, and standards-measuring-quality as well, are poor in terms of both physical facilities and capability of meeting the demand of integration with region and international systems (cf. Ministry of Science and Technology of Vietnam, 2009).

2.5 Ecological environment

Through many years of war, millions of tons of bombs dropped as well as fights throughout forest areas, Vietnam's natural environment was ravaged seriously.

Vietnam's incredible economic growth recently has damaged its natural forests as well. It lost about 78 percent of its primary forests in the period from 1990 to 2005, leaving Vietnam with only 85 000 hectares of old forests, which is about only 0.66 percent of Vietnam's forest cover. The total loss of forest is amongst the highest in the world. However, deforestation tends to be slowing in Vietnam. Average annual deforestation rates of this country have decreased by 18percent since the end of the 90s.

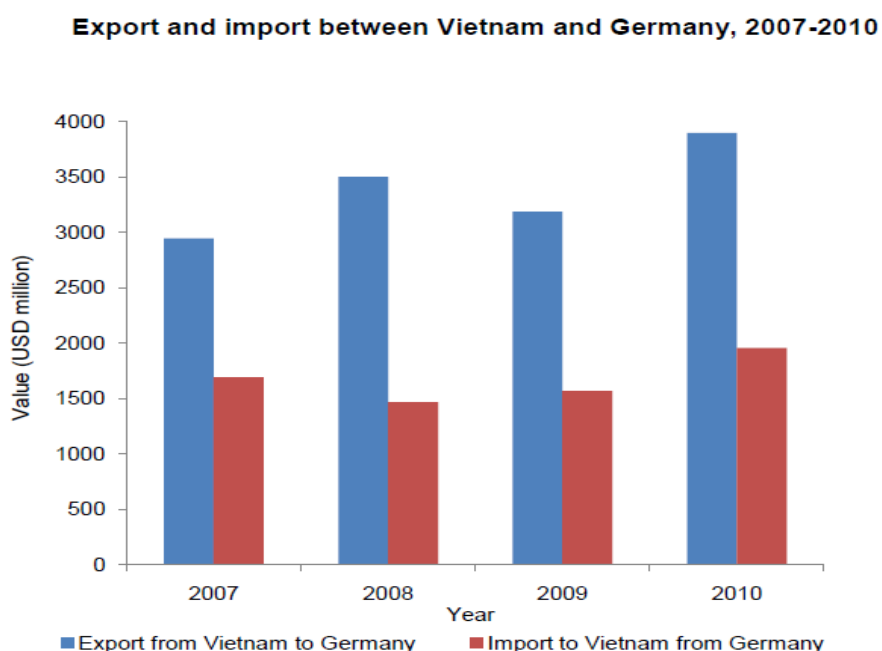
Vietnam's deforestation stems from commercial agriculture as well as subsistence activities, especially fuel wood collection and small-scale agriculture. Nevertheless, Vietnam's government has tried to deter and prevent forest loss by carrying out a big reforestation project which began

in 1986. Since the 90s, the forest plantations has expanded considerably from about 960 000 hectares to above 2.7 million hectares.

3. Overview of German-Vietnamese economic relationship

3.1 Trade

Germany is the greatest European trade partner of Vietnam. In spite of the global financial crisis, in 2010, bilateral trade achieved substantial growth to about USD 6 billion. Vietnam's total export value to Germany was about USD 4 billion, approximately 19 percent of Vietnam's total export to the EU, whereas its total import value from Germany reached USD 2 billion. The main export products of Vietnam exported to Germany include footwear, garments, coffee, seafoods, furniture, office machinery, metal products, ceramic products and so on.



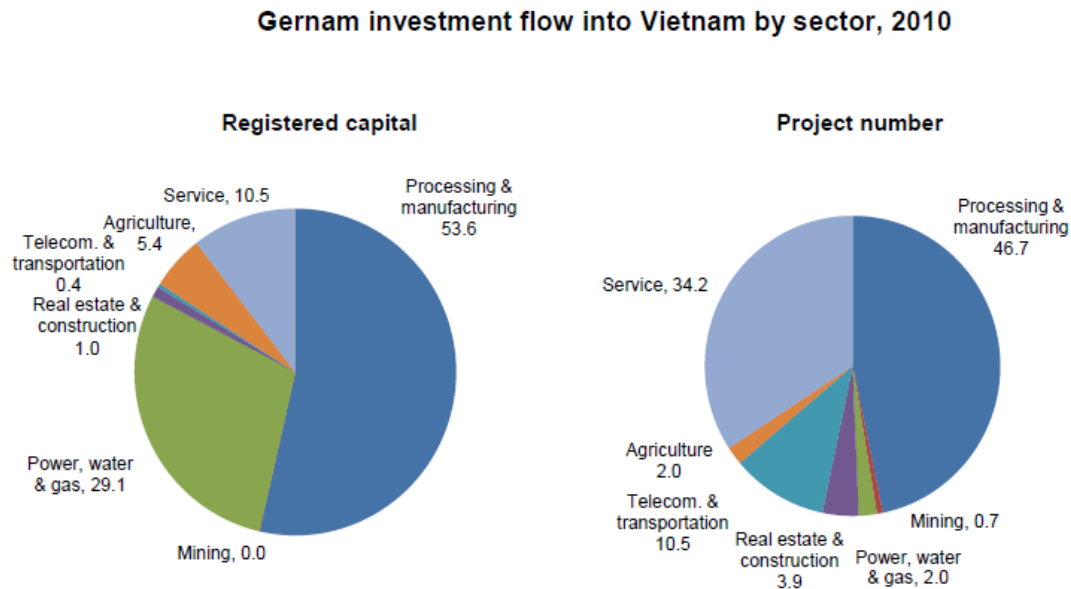
Source: German Federal Statistical Office

Figure 7: Export and import between Vietnam and Germany, 2007 – 2010

Source: German Business Association in Vietnam, 2011

On the other hand, the main import products from Germany to Vietnam include machines (in mining, engineering, construction, textile, etc.), aircrafts, passenger cars, units for electricity generation, chemical products, lifting and handling equipment, medical equipment, engines, electronic components, metal products, industrial parts, iron, etc.

Furthermore, after joining the WTO, Vietnam is becoming an emerging beneficial market in Asia. As it is trying to industrialize by 2020, it is evident that sophisticated production facilities and high-tech machinery made in Germany will be highly demanded (cf. German Business Association in Vietnam, 2011, p. 21).



Source: Ministry of Planning and Investment

Figure 8: German investment flow into Vietnam by sector, 2010

Source: German Business Association in Vietnam, 2011

As can be seen from Figure 6, German investment flow into Vietnam is mostly in Processing and manufacturing (53.5 percent). The number of German projects in Vietnam is also mostly in this field (46.7 percent). It can be concluded that most of the German companies entering the Vietnamese market is to build manufacturers and to produce their products. According to the Macro-environment analysis, it is believed that the huge potential human capital is one of the biggest factors which attract German enterprises to lay their production in Vietnam.

3.2 Investment

Currently there are about 230 German enterprises investing and operating in Vietnam, including many great German leading groups, for example, Bosch, Siemens, Mercedes-Benz, Deutsche Bank, etc. By April 2011, German firms have invested in Vietnam with registered capital of USD 825 billion. Two thirds of the investment capital from Germany mostly focuses on

manufacturing, technique services, processing, information and communication technology, finance and banking services. Most of the investments projects have been carried out in Hanoi, Ho Chi Minh City, Dong Nai and Binh Duong. To conclude, German investments and enterprises are well positioned in this country (cf. German Business Association in Vietnam, 2011, p. 21).

3.3 Cooperational development

Vietnam is a crucial partner of Germany in development cooperation. German – Vietnamese development cooperation concentrates on three priority areas: Sustainable economic growth and vocational training; Sustainable use of natural resources and environmental reservation; and Health.

This development cooperation has been effectively utilizing and bringing advantages to social-economical growth of Vietnam, especially in training and human resource development, clean energy source and so on (cf. German Business Association in Vietnam, 2011, p. 22).

3.4 General conditions for foreign companies to enter the Vietnamese market

Under Vietnam's Investment Law and Enterprise Law, companies can invest in all sectors that are not prohibited by the law. Those are prohibited include:

- Investment projects harmful to national defense, security as well as the public interest.
- Investment projects that are detrimental to cultural and historical traditions and customs or ethics of Vietnam
- Investment projects that do harm to the people's health or ruining the natural resources and the environment of Vietnam
- Investment projects that discharge toxic waste and toxic chemicals forbidden by international law (cf. German Business Association in Vietnam, p. 24).

Foreign investors who invest in Vietnam for the first time must have an investment project outline and fulfill the investment registration procedures. Foreign investors must ensure to complete the conditions in that investment field and follow the regulations, if any. Investment conditions in specific fields:

Conditions for companies who have foreign capital in production:

Foreign investors must ensure to have the location for implementing the project suitable with local architecture plans.

They must have the financial capability to implement the project

They must maintain the regulated environmental conditions and ensure social security as well.

Conditions for establishing trading foreign-capital enterprises:

Investors must be sure about the location where they will carry out the project

They must have the financial capability and experience to run the project

Export, import and delivery of the products must have code, comply with rules and have to be in line with the commitments of Vietnam for joining WTO.

4. Description about the fictional German company entering Vietnam

4.1 Background information

Because sophisticated production facilities and high-tech machinery made in Germany will be highly demanded in the near future, the fictional company operates in technical industry, called REX GmbH (Co., Ltd.) and is planning to enter Vietnamese market in the near future.

Structure:

REX GmbH is a German multinational company producing and supplying technical products such as car components, industrial technology, power tools and consumer goods. The company headquartered in Stuttgart, Germany and is privately owned by the CEO and his family. REX has about 100 subsidiaries all over the world and they are divided into regions, and that means they are regiocentric-oriented. The operations are managed regionally. Also, coordination and communications within regions are high. As a result, it is necessary for its HRM to recruit employees for foreign operations on a regional basis. So, recruiting local people and managing them by a regional basis is how it works.

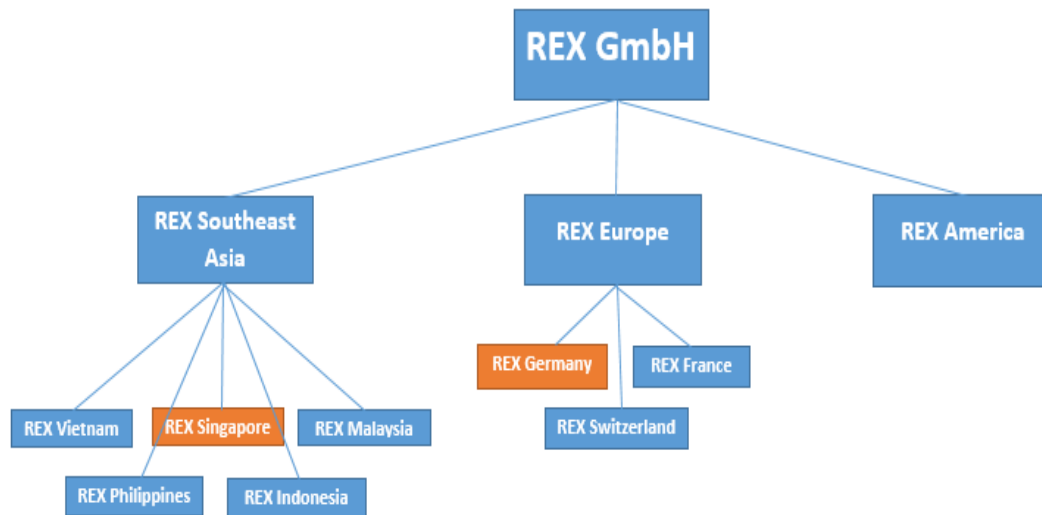


Figure 9: Organizational structure of REX GmbH

Source: author

As can be seen from the Figure 8, REX GmbH's three regions are: Europe, the US and South East Asia. Vietnam is one of 5 countries in South East Asia in which REX has daughter companies, beside Singapore, Indonesia, Malaysia, Philippines and Thailand. Singapore is the leader of the region. Thus, operations of the subsidiaries within South East Asia, including HR department, are reported to and managed by Singapore.

Governance procedures:

Overall strategies are set by the CEO of headquarter in Stuttgart and will be informed to the regional leaders. For example, a new HR recruiting campaign will be spread to each regional HR leaders: Singapore (South East Asia), Germany (Europe) and the US. Afterwards, the HR leaders in their regions will find out how to implement the campaign in their own regions based on their local understanding. For instance, the HR leader in Singapore will have different strategies and ways to carry out the campaign in Vietnam, Philippines, Indonesia, Malaysia and Singapore than the strategies and ways of implementing that the HR leader in the US has.

Corporate development of every subsidiary will be reported to its regional leader. After each monthly report meeting via phone, the regional leaders will create adjustment strategies for each of their countries. Adjustments will be set and changed again and again until the deadlines of the projects come and everybody is done with their work. Lastly, each country must report their own result of the project in their country to the regional leader and similarly the regional leader must update their region's result to the Head of HR at headquarters.

Annual meetings are held semi-annually in each country. This is for the officers of the subsidiaries to update their business situations and key business developments every 6 months. Usually, the annual meeting of each country will have the attention of the Regional Corporate Manager. Thereafter, the Regional Corporate Managers will report their regions' overall business update to the CEO of REX GmbH.

Characteristics of the organization:

Responsibility

The main value that REX GmbH really takes into account is Responsibility. The company recognizes that, to have sustainable development, an enterprise or a society in general must be responsible for the environmental sustainability, the effective use of resources, and the safety of employees as well as their wellbeing. The “three-bottom-line”, in other words, the three “P”, which are People, Planet and Profit, affect each other. Therefore, REX GmbH takes its responsibilities for the society by caring about its employee's families' wellbeing and education as well as establishing a charity organization; for the economy by paying taxes and creating quality human resources; and for the environment by effectively using natural resources and energy.

Fairness

The company views mutual fairness as a condition for long term success and good reputation when they cooperate with each other and with business partners.

Cultural diversity

REX GmbH has subsidiaries in three continents which is why cultural diversity is one important part of its internal cooperation. The company focuses on exchanging employees between subsidiaries to enhance its cultural adaptation and diversity. Employees who want to work in foreign subsidiaries are encouraged, supported and welcomed to work as expatriates and learn from each other.

Openness and trust

REX GmbH informs its stakeholders including its associates, investors, business partners and media in such a timely and open fashion about the changes and the key developments within the

firm. This is because REX GmbH knows that this builds the best foundation for a trustful relationship and long-term cooperation.

Reliability and Legality

Another basis for building and protecting the company's reputation is by following laws and legislations. REX GmbH ensures to do business in compliance with local laws and respects its contracts and agreements in all its business transactions.

Company's Experience

The company was founded in 1992 in Stuttgart and produced only car components at first. REX GmbH now manufactures industrial products and also consumer goods. Its greatest partners are Mercedes-Benz, Ford, Toyota, etc. With more than 20 years of experiences, the company owns many patents and has sustainable innovation.

Size

REX GmbH is a large company with more than 3000 employees all over the world.

Stakeholders

Its stakeholders are its employees and associates all around the world, its partners such as Daimler AG, Ford Motor Company, Toyota Motor Corporation and private consumers; the local governments where its subsidiaries locate; and the local presses.

Resources:

REX GmbH has been continuously improving its technical systems to effectively use resources. The company uses many kinds of resources but it always tries to utilize greater amounts of renewable natural resources and energy. Also, it supports to protect the local forests, protect the environment, reduce air and water pollutions and so on. They do this to guarantee a sustainable source of raw materials that REX GmbH needs in its production and also for a better environment and society.

HR Governance The human resource of this company is managed on a regional basis, meaning that the workforce of each region is under the governance of the HRM of its own and of the leader country. For example, the workforce in Vietnam is managed by the Vietnam's HRM and is reported to the Singapore's HRM (regional leader country). Vice versa, Singapore's HRM

makes strategies and implementing methods. Vietnam's HRM will follow them and then report the results back to Singapore.

Degree of centralization

REX GmbH goes for regiocentric-orientation. That means its degree of centralization is high. The countries can have their own decisions or can follow its regional leader's guide. However, the overall management is always from the Top Management at the headquarters in Stuttgart. Everything done locally and regionally is towards the goal set by the Top Management. In conclusion, subsidiaries can decide on their own for better adaptation but still need to follow the structured plans and strategies set by Headquarters.

Nature of its business/products

The nature of its business is providing both goods and services.

As a result, production is one important part of the company's business. In terms of production, REX GmbH is in a supply chain starting from REX's raw material provider and ending at REX's end-users. Its products require high-technology and therefore the production process is complicated and costly.

In terms of goods, the company sells its goods to the end-users through its subsidiaries. It is a great provider in the car industry and does business by creating contracts with other producers like BMW, Mercedes-Benz, Ford, Toyota, etc.

Furthermore, REX GmbH also provides services alongside its goods.

Stage of lifecycle

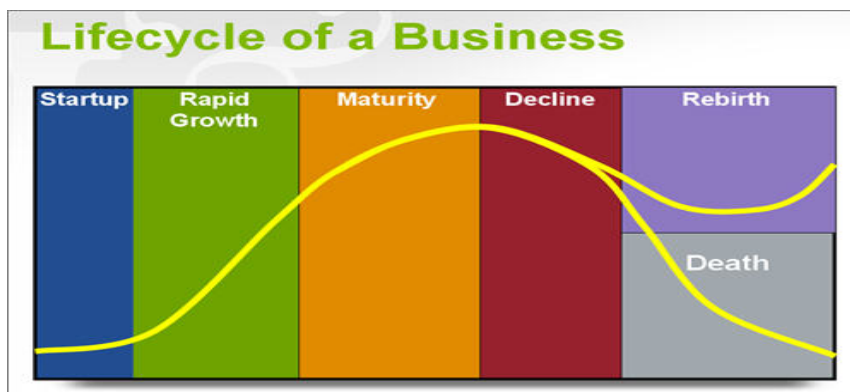


Figure 10: Lifecycle of a business

Source: Josh Bersin, 2014

The company is in the Growth stage in its lifecycle. REX GmbH is expanding its market and one of the examples is Vietnam. Sales are high now which means that it has budget to expand. The competition it faces now is not high due to few market suppliers. Therefore, in this current stage, REX GmbH's goal is to expand its scales of production, which include its market share in each geographical market.

Industry

The industry that REX GmbH operates in is Engineering and Electronics. In this industry, competition is high and timely. REX GmbH's main competitors are Siemens, Bosch, MothersonSumi, Amara Raja Batt, WABCO India, etc.

Purpose of entering the Vietnamese market

As discussed earlier, REX GmbH is in the Growth stage of its own lifecycle. Currently its main target is to expand its market and market shares while its sales have already passed the difficult threshold stage to have relatively high revenues. Also, the competition is starting to mount since the company is big enough to be in competition with big brands. Furthermore, REX GmbH has focused in South East Asia region with 5 subsidiaries: Singapore, Indonesia, Malaysia, Philippines and Thailand. Plus, Vietnam is now one of the fastest growing countries in the region and has low-cost labor resources and production costs. As a result, Vietnam subsidiaries should bring a lot of benefits and will be an indispensable part of South East Asia. In short, REX's purpose of entering the Vietnamese market is to expand its market while benefiting from the local low production and human resource costs.

4.2 Strategy and HRM

Strategies of the company and its International Human Resource Management

Goals of the MNE

The goals of REX GmbH are to have a stable development and a global presence as well as to work on their own culture. It aims to be a major player in its main business sector which is automotive components. The company will achieve this goal by doing strong marketing campaigns for its new products and focusing on Research and Development for continuous innovation.

Strategies of the MNE

Integration between Innovation leadership and Cost leadership: REX GmbH's long-term strategy combines cost-leadership and differentiation in innovation and quality (integrated strategy).

REX GmbH has an excellent production system which comes from the Lean Manufacturing concept. This is to ensure the production processes is smooth and simple as well as waste-avoiding, while producing high quality products. Hence, the company can prevent excessive production costs, but still generate high-end outcomes. Furthermore, REX GmbH will also establish manufacturing sites at low cost locations which is why Vietnam will be one of the new cost-effective locations that REX GmbH is expanding into.

Attitude of the Top Management with regard to internationalization and HRM

Relevance of the employee group as a critical resource:

The employees of REX are clearly aware of the internationalization in Vietnam. However, most of them are not related to this expansion except HR staff.

5. Problem and suggested solutions/tips

5.1 Problem

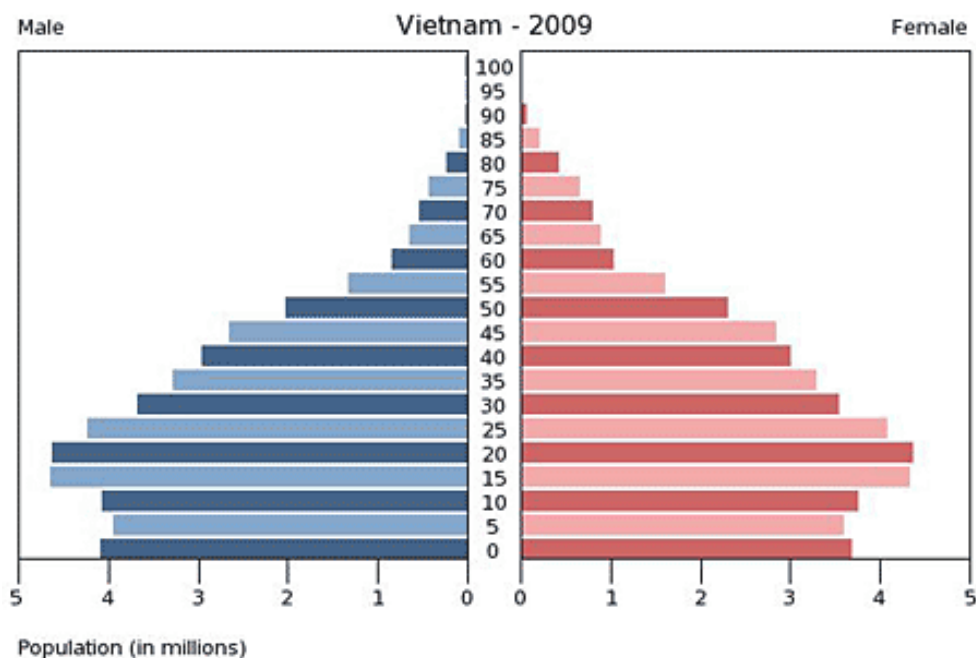


Figure 11: Population of Vietnam by sex and age in 2009

Source: Indexmundi.com

According to Ministry of Information and Communications of the Socialist Republic of Vietnam, the number of university or college students reached only 20.22 percent of the total amount of young people who were in the ages of studying higher education in 2009 (cf. Ministry of Information and Communications of Vietnam, 2010). Meanwhile the number of youngsters between 15 and 25 years old are the largest proportion of the population of the same year (Figure 11) (cf. Money Week, 2009). That means the main workforce of Vietnam is not fully qualified and do not meet the demand of the foreign companies operating in this country. As a result, recruiting the right people who have enough required qualifications is very difficult for the foreign enterprises, including German ones.

Up to now, there have been more and more foreign companies entering the Vietnamese market (cf. Infonet, 2013). The labor market has a lack of qualified workers, while the demand has been growing non-stop. It has been also very hard for these companies to find suitable people. Many of them started to hire qualified employees away from the other companies.

The problem about HRM for REX GmbH to solve

First, many foreign companies need to train their employees to be qualified up to their standards. The required training and development programs firms must implement are costly. Second, as more and more foreign companies have entered this market they will attract the qualified staff from the companies who spent a lot of resources to train them. In short, the problem here is **how to reduce employee turnover**.

5.2 Suggested solutions/tips

Before suggesting solutions for this problem, HR managers should first try to understand why employees quit to find the best solutions for the issue. It might begin from comparing the benefits of working for the current company and working for the others. On the other hand, of the reason for quitting might be due to dissatisfaction with pay, security, empowerment, job fulfillment and work facilitation, etc. Thus, there should also be an exit interview when the employee is going to leave the organization to determine why they plan to leave for the other company. Furthermore, HR managers should always make sure that the key employees' needs are met continuously and communicate frequently or make surveys with employees to know the current status of their satisfaction with the organization and what they do not feel comfortable with related to their job.

Below are suggested solutions for recruitment and employees' development and compensation.

5.2.1 Recruitment:

There is a difference between employee recruiting and employee selection needed to be understood.

Employee recruiting refers to “the process of identifying and attracting people to work for an organization” (G. Brown et al., 2011, p. 160).

Whereas, employee selection is “the process of testing and gathering information to decide whom to hire” (G. Brown et al., p. 202).

Therefore, employee recruiting happens before employee selection.

As described before, the main issue of the study is how to retain employees, especially key ones. Recruitment is one of the first steps of HR management and therefore it affects the other steps' results and the overall the effectiveness of the organization. Recruitment can also affect how loyal the employees are with the company. Below are suggestions for a better recruitment process that builds upon the foundation for retaining employees:

For employee recruiting:

- Provide career development and promotion opportunities:
From the recruitment stage, candidates should be aware that they are provided with promotion opportunities and therefore they should be determined to work their hardest to be promoted and build a strong career. By being clear about their career paths, in the future, they will focus on working at REX and try to achieve their goals without looking for other companies with attractive career development programs and higher benefits.
- Avoid bias:
REX's HR management should make sure employees have required qualifications to achieve personal goals, avoiding bias so that the recruited employees will feel self-confident about their abilities to get jobs done and therefore do not feel bored and frustrated due to lack of skills and bad outcomes.
- Realistic job description and messages:
Using realistic job reviews and messages means to share both positive and negative information about the job. A realistic approach is best for internal employees who will have long-term commitment with organization. By knowing both the good and the bad about the work, they

might build accurate expectation and therefore will not likely become disappointed about the job and quit. (cf. G. Brown et al., 2011, p. 166)

- Internal recruiting:

Furthermore, internal recruiting is a good fit with an internal HR strategy. Internal recruiting means transferring staff who are already working for the organization to the empty position. Because internal people are already long-term committed with the organization, trying to use these internal people can help companies with an internal HR strategy reduce employee turnover. (cf. G. Brown et al., 2011, p. 165)

- Recruiting methods:

- Line employee recruiting method

For line employees, broad scope recruiting to find a large amount of potential job applicants who are non-specialized is a good approach to save costs.

- Specialists recruiting method:

To recruit specialists, a targeted approach is suitable to seek people with rare specialized skills.

For employee selection:

- Make sure the selected employees have required qualifications:

HRM should make sure the selected candidates have required qualifications to achieve goals. By doing this, it is easier for the employees to work efficiently and be interested in this job which they are specialized in. As a result, they will be more likely to stay loyal.

- Recruit employees who really fit with the company

Recruiting employees who fit with the organization not only in terms of qualifications but also in terms of characteristics (for example: like to switch jobs) is crucial. As long as an employee quit their past jobs every year, they will not likely to stay with REX for a long time.

- Recognizing and selecting employees who are likely to stay, by directly evaluating individual differences such as specific characteristics and length of employment with recent employers, etc. For example, someone who stayed in his last two companies for maximum of six months is more likely to quit than another person who had been committed with his last two organizations for about three years each.

5.2.2 Employee development and Career development:

As human resource is one of the main sources of differentiation as well as sustainable competitive advantage of an organization, their career development is essential. As a result, staff development actually becomes a primary weapon to HR managers to achieve future successes. The continuous learning and development of employees is of strategic importance to REX and other organizations. To help employees develop also means to keep them loyal. Training the staff and providing them good learning conditions to work well at REX is also an intelligent way to make it difficult for them to leave REX and adapt to other companies.

Moreover, caring about the employees' career paths is really a useful method to maintain the staff's motivation to stay and work for the company. Career development includes activities that help employees "manage the progression of their work experiences across their lives" (G. Brown et al., 2011, p. 376). Since they know their future career progression with REX, they will be more excited and motivated to achieve their goals.

Understanding these facts, staff learning and development and career development should be considered as an essential duty to REX's HRM.

Before taking a deep look into what to do to help employees learn and develop, it is necessary to distinguish between learning, employee development and career development.

Learning can be defined as "a process within the organism which results in the capacity for changed performance which can be related to experience rather than maturation" while career development involves "activities that help people manage their progression of their work experiences across their lives" (Beardwell, I. et al., 2004, p. 273). On the other hand, employee development consists of "activities that influence personal and professional growth" (G. Brown et al., 2011, p. 376)

So, learning is included in employee development. Employee development and career development differ from each other and will be suggested for solutions separately.

HRM of REX can keep the employees loyal by caring about their development and their career paths. Depending on the HR strategy of the company, we can bring appropriate development programs and career opportunities to retain employees. Some solutions to support them develop their careers and pursue their goals are:

For employee development:

- Give financial support for their enhanced certification training
HRM of REX can provide financial support for their employees to get higher certification training. For example, an excellent employee in Finance Department at REX with Bachelor's Degree in Finance can be encouraged and supported to take a Master program to enhance her professional knowledge in the field of Finance and Accounting as the requirement for skilled-personnel of this Department increases. This is not only for the benefits of the Department but also for the sake of the employee's development.
- Provide scholarships that help people take educational opportunities for their career's development:
Providing scholarships such as free English courses at an English center, or a Business Communications course at a Business School will enhance the quality of REX's employees and to make them feel more self-confident and interested in their jobs.
- Exchange knowledge:
REX's HR Management can create learning opportunities for our employees with web courses and workshops or by exchanging employees from one department to others or from high level to low, etc. for them to understand the work flow of their own tasks and understand how their colleagues work. Therefore, they create a solidarity and sympathy amongst their peers and are more likely to stay with the organization.
- Provide financial support, working time flexibility, and tutors/supporters:
Besides providing financial support for employees to learn refined skills and advanced education, REX's HR management needs to allow work time flexibility for those who attend courses. Also, arranging personal tutors or supporters for those who need to enhance their qualifications is also a good way to improve and keep key people.
- Develop a diverse workforce and working environment:
Building a diverse workforce, where people of various ages, sexual orientation, ethnicity and even disability are organized into groups to share information, learn from each other, build networks, creates a good working environment where information is easily shared. This is

particularly helpful for older employees who are often afraid that their skills are out of date. It is by sharing information with younger employees; these people can update their knowledge and abilities more effectively than being trained.

Nevertheless, REX needs to focus on keeping the development costs low. Therefore its HR management should apply inexpensive methods to make sure the cost for development and training is not too high, while employees can still receive necessary training programs and other training methods. Some of them are:

- Online assessment tests & discussions with supervisors

Providing employees online career assessment tests and discussing with their supervisors how to develop their career based on those results is one inexpensive method. It will help employees know how well their assignments were done and how they have improved or got worse without costing the company a large amount of its budget. And therefore employees can be frequently given feedback.

- Using work experiences as a training method

To reduce training costs, it would be better to consider work experience as a training program for generalists which eliminates the need to pay for expensive courses to enhance the quality of employees. Work experiences can be generated by Job enrichment. It includes:

- Job rotation: It means adding more tasks, challenges and responsibility in a certain period of time so that the employees develop new knowledge and skills
- Job transfer: It means moving employees to another position permanently for the purposes of gaining new knowledge and skills.
- Upward move: It is also known as promotion including the increase in pay, responsibility and status. This allows the employee to be challenged and learn.
- Downward move: It is a decrease in pay, responsibility and status. It is necessary for an employee to learn about a new area. (cf. G. Brown et al., 2011, pp. 387 – 388).

However, for specialists, to ensure that creativity occurs, REX's HRM should really focus on their development and provide other learning opportunities than just work experience. Formal education (for example, taking courses or certification, licensing) and feedback from supervisors and colleagues (for example, making a survey about how the peers, colleagues, boss, customers,

etc feel about an employee's performance) as well as developmental relationship with mentors, coaches are what the HR Managers should provide to make sure the specialists do their jobs well without wasting time and budget for repairing mistakes.

- Job orientation:

Also, job orientation is also important if the company wants employees have great passion and abilities. REX should periodically conduct a career assessment by using some assessment tools such as the Holland Typology or the World of Work Map, in order to put the right person in the right position. By updating the right people to the right positions periodically, REX can be sure that the employee turnover rate will reduce.

For career development:

- Plan individual employees' career paths:

It is necessary for HR management to make plans for individual career development processes to identify employees' long-term goals and help them pursue them. By caring about employees' career paths, REX can gain their loyalty and excitement for working.

- Promoting policies:

Having an attractive and realistic promotion policy means caring about each employee's goals in their career to promote them into the right position which they want and also are capable of performing well in. With this method, employees will have more motivation to do the job and be able to achieve the desired reachable goals.

5.2.3 Compensation and benefits:

Bringing motivation to the workforce is one of the most important roles of HRM. People who are motivated towards appropriate goals are likely to work more efficiently to better contribute to organization. Besides other factors such as employee-manager relations and potential career paths, motivation can be created through compensation and benefits. Furthermore, compensation and benefits are one of the crucial factors to attract and keep talented employees. According to Gilmore et al., "managing employees reward is a crucial element in encouraging flexibility, leveraging performances and competing for talent in tight labour markets" (cf. Gilmore, S & Williams, S., 2013, p. 184).

Employment benefits include things such as healthcare and well-being initiatives, insurance, sick pay, childcare provision, leave entitlement and company cars.

Below are the solutions for motivating and keeping employees through compensation and benefits.

Design compensation packages in line with company's goals and HR strategy:

To maximize the effects of compensation and benefits, organizations should align pay linked with goals to encourage employees to maximize efforts. For example, if a person meets his expected sales revenue, he can get bonus of 5 percent of his own sales; or if he achieve higher sales than expected, a bonus of 7 percent will be given. That bonus might be not very high, but it is a further goal for this employee to attempt even more than he has to.

Secondly, compensation and benefits should be given to individuals if they work independently and should be applied with group contribution only when employees work in groups to avoid injustice. A bonus of 5 percent for a group differs from a bonus of 5 percent for an individual. Therefore, before applying compensation and benefit into reality, managers should clarify and take into consideration the context the staff worked in, whether it is a group or an individual effort.

HR managers should design appropriate compensation packages which are in line with the HR strategy and the overall strategy of the company. With REX's integrated strategy (which is the combination between cost-leadership and differentiation), its HR strategy goes for both Differentiation and Cost Leadership.

Again, to retain employees, it is vital to avoid injustice. As there are different groups of employees, HR managers should collect information, investigate and understand the nature of each group of employees when evaluating the fairness of pay amongst these groups. This situation is likely to happen with a company with a differentiation strategy where high performers get higher pay than low performers. At REX, the situation is not completely towards differentiation. Its strategy is the combination between cost-leadership and differentiation. This means some people somewhere in the company still work for different levels of pay and innovation. Therefore, it is still a worth-considering matter for REX to deeply understand the

nature of each group of employees to decide whether a standardized salary or a customized salary is better for each group.

Minimize corruption and enhance fairness:

Corruption is also an important issue. It is common in Vietnam that some employees may get to be closer to his manager by gift giving (in most cases it is money) or in other words, bribery. This usually happens, in state's companies or even in foreign companies. This problem causes many serious consequences. The trust between people and between employees and managers can obviously decrease. Key employees might leave the organization because unfairness causes a psychological problem of discouragement or frustration for those who really worked hard to increase innovation and creativity in the company. In other words, unfairness might destroy creativity and talent. Once bribery happens even in just a small department of the company, it will likely spread to the whole enterprise and might lead to human resource crisis. That is why accurate evaluation and fair compensation is crucial for HRM.

While external employees usually compare the compensation they get from their companies with the ones offered by the other companies, internal ones often compare themselves with their colleagues in terms of each other's contributions and rewards. High performers should receive immediate rewards which recognize their outstanding contributions.

Size of compensation packages:

Compensation package can be defined as "a mix of salary, benefits, and other incentives that employees receive from the organization" (G. Brown et al., 2011, p. 454).

In terms of the size of compensation packages, it seems that bigger rewards mean higher motivation. Therefore, it would be better to provide compensation and rewards that are great enough to matter.

For line employees, compensation packages should be designed properly to save costs while still providing employees benefits that build loyalty and bind them to the organization. This package should include base pay and employee benefits (Fixed compensation). Base pay is the compensation that does not change across time periods and is completely independent from performance level. Base pay does not have much motivating power because a high performer

and a low performer receive the same amount of base pay, but it provides internal employees a sense of security. Meanwhile, employee benefits are long-term compensation, for example, retirement savings and insurance that encourage them to stay loyal with the company.

On the other hand, for specialists, to ensure innovation occurs and encourage higher individual performance, REX HR management should apply at-risk compensation, which means compensation that change across time periods and depend directly on performance. This is designed to encourage people to innovate, be different and contribute more to get the appropriate level of pay. However, a slightly difference that should be taken into account is that, for teamwork, the HR manager should apply group incentives. Similarly, for individual performances, individual incentives should be provided to ensure fairness.

To achieve better innovation and outstanding performances, REX should provide higher monetary incentives for higher performers to encourage them contribute more. Also, some levels of the operation of REX (such as R&D) might require talents with rare skills and outstanding qualifications. These rare, talented people may be the desire of many other enterprises who might be REX's direct competitors. Thus, keeping these key people is the priority duty. Their salaries and bonuses should be based on how much they are worth to the other companies and should be flexibly higher than the compensation levels that other companies may offer. Here we use Lead-the-market pay strategy which refers to a total compensation package which is above the labour market for the same position. Although this strategy may leave REX in a tight place in a downturn, it is worth keeping the most talented people.

Furthermore, for employees working with challenging tasks, HR managers should provide rewards that are high enough for employees who take more risks and have better performances than others to separate pay with different levels of effort. (cf. G. Brown et al., 2011, pp. 412 – 437)

For line employees, it is not necessary to distinguish between high performers and low performers because the tasks in this kind of department are routine. Thus innovation and creativity are not need in this department. REX can provide consistent compensation and minimize differences in terms of pay levels of employees to keep costs low. At this point, it is not difficult to decide that Meet-the-market pay strategy is the most suitable for these workers.

Meet-the-market pay strategy is when a company's compensation strategy is in the same level with the local labor market for the same position.

Last but not least, REX's HRM should frequently research the labor market and assess their salary levels compared to others. If it is equal or higher than the average salary level in the market, the firm should make the fact known so that their employees know the company values their effort. On the other hand, if their salary levels are below average, in the same industry, the HR Managers should consider raising their salaries and benefits.

To build loyalty in employees while seeking to reduce costs, here are some tips:
 REX can pay and increase pay for the employees based on their seniority with the organization. This is to encourage loyalty and to strengthen the relationship between the company and its staff.

Caring about the employee's expectation:

To effectively retain employees, HR managers should always try to understand their employee's expectations. By understanding and attempting to best meet employee's expectations, there are more possibilities for company to reduce burnout. The expectation can be financial or non-financial support for a better quality of life. Or they might expect more opportunities and empowerment to make decisions in their own work. Expectation varies from work to daily life, and it affects how an employee feels about his work and his employer. As a result, fulfilling employee's expectations is a good way to enhance their satisfaction and hence reduce turnover for the company in such a competitive market like Vietnam, where many enterprises are willing to pay more and provide better benefits for rare talents.

Moreover, besides providing financial support, HR managers should make healthcare plans accessible for all employees. Healthcare including hospitalization/surgical, clinical healthcares is the most popular benefits for employees in organizations in Vietnam recently.

Also, offering pay without work and supplementary insurance are also suggestions to differentiate REX's employee benefits from other companies.

Gainsharing, profitsharing and Stock option

The management of a company with differentiation often sets high goals for internal employees to make sure innovation occurs. Therefore, there might be people who reach the goals and others who do not. As a result, compensation levels for these people might differ and this encourages employees to work harder to achieve their goals and get higher compensation. However, the compensation packets should also develop long-term loyalty and they can include retirement benefits and stock options.

a. According to Douglas L. Kruse et al., gainsharing “offers workers payment based on the performance of their work units rather than of the whole enterprise. These systems often measure performance in productivity or cost saving at a particular worksite” (cf. Kruse, D. et al., 2010, p. 4). Applying gainsharing encourages employees to work more effectively to save costs and enhance productivity to minimize costs at their workplaces. This type of reward not only improves employee’s satisfaction but also motivates them to work more effectively.

<i>Rules for Gainsharing Success</i>	
	Explanation
Make sure the payout formula is understood by employees.	Motivation is increased when the rules by which the bonus is calculated are understood.
Ensure a high level of employee involvement.	Involvement increases employee commitment and trust.
Provide monetary rewards as close to the time of performance as possible.	Motivation is increased when rewards are clearly associated with actions and outcomes.
Involve gainsharing specialists who provide valuable recommendations	Each organizational setting is somewhat different, and expert advice helps tailor the plan to specific organization.

Figure 12: Rules for Gainsharing Success

Source: Human Resource Management (cf. G. Brown et al.).

To ensure gainsharing success, there are some rules for HR managers to do before implementing gainsharing as shown in Figure 12.

- Rule 1: Explain and make sure that the paying formula for gainsharing is correctly understood by employees because by understanding how the bonus is calculated, an employee's motivation is increased.
- Rule 2: Encourage and persuade as much employee involvement as possible because the more employees that are involved in this program, the more commitment and trust there will be.
- Rule 3: Giving monetary rewards as close to the time of contribution as possible. As the outcomes (monetary rewards) come right after the actions taken (the contribution), employee's motivation is enhanced rapidly.
- Rule 4: Take on specialists in the field of gainsharing to get valuable recommendations to help tailor the plan to the company.

b. Profitsharing "pays workers specified shares of profits when the firm makes money" (Douglas L. Kruse et al). This kind of benefit should be applied for top managers and key employees.

c. Also, another form of rewards is providing stock option. As Douglas L. Kruse et al points out: "a stock option gives the employees the right to buy stock at a set price anytime during a specified period following the granting of the option. The employee gets upside gain of a rise in the share price without the downside risk of losing part of the investment", stock option can be one of the most motivating rewards that most encourages employees to stay loyal with the company and work more effectively. Because having the right to buy company's stock without the risk of downside loss would mean a lot in terms of benefits and monetary security.

Helping workers achieve work-life balance

Recognizing that work-life balance is one of the most crucial elements to employee's satisfaction, HR managers of REX should deeply focus on this issue. Like a company's sustainable development, an employee needs to invest time and energy back to his/her family life after work to maintain the balance of life which makes their career sustainable. Therefore, as their employer, REX should apply some methods to help them feel balanced to spend time both in and outside the office.

Allowing flexible work hours is a very good way to enhance an employee's satisfaction, especially female employees with kids. A good example of this is Robert Bosch Vietnam Co., Ltd. They apply flexible work hours for female employees so they can go to work one hour or

two hours later than the regulated work hours and finish their work later than other employees, as long as they get their jobs done before deadlines and with good quality. In addition offering time off to cope with family illness is also one of the solutions for this issue. By doing so, HR managers show their understanding and sympathy with the employees' difficulties and help them solve the daily issues related to kids, sickness, family, etc.

The chart indicates that healthcare and insurance are the most popular benefits to be given to employees by companies in Vietnam. Again, for women with children, REX can support them by reducing their financial or non-financial burdens through providing assistance with childcare with flexible and reasonable prices as well as health insurance.

Other benefits such as offering daily free buses from home to work or financial support for transportation for employees who live far away from the office, or providing company summer holiday and giving holiday gifts should be taken into account in order to strengthen the link and the relationship between employees and REX.

These solutions might help support employees to balance work with their personal lives and thus decrease stress and be more pleasant about work and our company. Even if some employees do not make use of the offers, they will also see their organization family-friendly and care about their human resource and therefore be more committed to the organizations, and therefore become more loyal.

6. Evaluation from real HR managers

6.1 General information

The current problem HR managers of German MNEs in Vietnam have to deal with has been analyzed and its solutions have been suggested to handle certain challenges. This part will reveal the evaluation from real HR managers of German MNEs operating in Vietnam with regards to the practicability and prospects of the solutions' successes. The author conducted interviews with the HR managers via Skype and emails. The HR managers who was interviewed are from three German companies operating in Vietnam:

1. Beiersdorf Vietnam Limited Liability Co.
2. TANNER Vietnam Ltd.
3. Pepperl+Fuchs (Vietnam) Co. Ltd.

The interview questions below are divided into three sections:

1. Recruitment
2. Training and Development
3. Compensation and Benefit.

All of the questions are linked to the solutions that have been suggested in the thesis, regarding how to retain employees. Furthermore I have a few demographic specifications.

6.2 Results of the interviews

All HR managers highly agreed with the solutions suggested. However, they also gave some additional points to strengthen their effectiveness. Below is the additional points from each HR managers:

- TANNER Vietnam Ltd.'s HR manager:

TANNER Vietnam Ltd.'s HRM only hires people with focus on the required qualifications without bias but she also has some preferences. For example, they usually choose young candidates instead of the older ones because the company's workforce is young. Also, to recruit software engineers, they prefer graduates from FPT-Aptech University because this university is very good at developing software talents.

To recruit specialists, the company uses online tests as a filter to narrow the number of candidates. After they identify the most potential candidates, they will arrange one-on-one interview with each person. The reason for the tests is that they think there are talented candidates who are not really strong at expressing themselves as well as showing their qualifications. Therefore, TANNER's HRM wants to give all candidates a fair chance in the beginning. Afterwards, in the limited interviews, the interviewers will judge them carefully, and will not only rely on how they talk about their strengths. For generalist recruitment, TANNER's HRM will think of the suggested solution, which is to interview candidates quickly in a big group to save costs.

If a candidate stayed with their last company for only 6 months, TANNER's HR manager would ask for the reason they left their last firm. Furthermore, she would ask the candidate about the length of staying with the last two or three companies. If the candidate stayed with their last firms for a short period of time, she would not recruit this candidate. Also, considering the attitude of the candidate is a tip to know whether they are honest or not.

In terms of training and development, TANNER sponsors 100% the courses' fees if their employees need to take them to improve their skills. Moreover, TANNER's HR manager agrees that learning by work experiences is a good way to save costs. However, she adds that this method depends on specific tasks. In fact, TANNER still appreciates training more than learning by doing because it would take time to fix mistakes if any. For simple tasks, learning by doing is a good method in the view of TANNER's HR manager.

About compensation, TANNER's HRM adds that they would refer to the salary level of a new specialist of his or her last job to decide how to compensate them. This would make the employee feel that they are respected in this company and not feel disappointed if the salary of this new job is less attractive than the old one.

- **Pepperl+Fuchs Vietnam Company Limited.'s HR manager:**

In generalist recruitment, the HRM of Pepperl+Fuchs Vietnam is not really satisfied with seeking a large amount of candidates who are non-specialized at a time and they do not think that this method would save costs.

Furthermore, they will consider hiring a candidate who stayed with his or her last company for a short time (for example: 6 months) if he or she has the required qualifications because they think that the candidate could have a reasonable reason for that. The length of time the candidates stay with their last companies cannot totally determine their characteristics and is just for reference, to the HRM.

Also, the HRM of Pepperl+Fuchs Vietnam pointed out that they only apply flexible working hour policy with a restricted group of staff. So restriction is still an important factor which should be taken into account when providing flexibility for the employees.

- **Beiersdorf Vietnam Limited Liability Co. 's HR manager:**

In terms of training and development, Beiersdorf Vietnam's HRM thinks that caring about the career path of the employees can be applicable for specialists or high potential employees. "In practical way, career path is only applicable for high potential people who have opportunity and capability to grow further in their career. Every organization still needs to have solid performers who dedicated to deliver their performance at a certain level [...] (in) the pyramid model in organization structure and therefore, career development as well as promotion cannot be given to everyone" - said the HR manager.

Moreover, she agreed that customized compensation packages are helpful especially for small companies but the HRM must make sure they have "clear rationale, internal equity, pay policy, etc."

To an employee which is chased by the other companies, Beiersdorf Vietnam's HRM thought that they would not compete by money and need to win their employees' heads and hearts through company culture, working environment, career development.

Last but not least, she added in some remarks to the topic itself: "For retention, we should think of both financial and non-financial key success factors to provide to your talents, not retain all. The local talent war in FMCG market in Vietnam is very tough, once we attract talents from other organization, we need to think how to develop them and retain them with us, win their head and their heart. That's why we need to do more to retain them like Marketing people always create innovation to win their consumers/shoppers."

7. Conclusion

This study originally was aimed to investigate, analyze, and suggest solutions for the main problems which HR managers of MNEs in Vietnam have to face. However, after the investigation, the author realized that there is only one big problem that most companies suffer from in recent years: employee retention. As a result, the author analyzed the reasons for that problem and then suggested nearly 30 solutions for it.

To find out the roots of the problem regarding human resource management, there is a PESTE analysis in the beginning of the thesis. The analysis pointed out that Vietnam is a politically safe and stable, but has a weak democracy and little freedom of speech or participation in the government. Also, Vietnam's economy is believed to have been developing rapidly throughout the recent two decades. Its GDP growth rates and the FDI inflow have been usually stable. However, the inflation rate has been high and Vietnam's currency has been devaluing strongly in the recent years. In short, this is a young potential economy which is believed one of the fastest growing economies of the world today. In terms of the social environment, Vietnam's education and its workforce's qualification have improved significantly, but have not yet met the demand of foreign investors. Notwithstanding, its young, hard-working and active labor force is what attracts foreign investment. All in all, Vietnam is a country worth-investing for enterprises who want to take advantage of the young low-cost labor force in developing nations.

Beside the macro environment, the information about the current business relationship between Germany and Vietnam has also been provided to give the reader a big picture of the current business climate for the two nations. Germany is the biggest business partner of Vietnam, currently with about 230 enterprises operating in this country such as Bosch, Siemens, Beiersdorf, etc. The two countries' business relationship has developed strongly and is now one of the main factors of growth for Vietnam's economy.

After all of the background information was given, the author came up with a fictitious German company namely "REX Co., Ltd." who wants to enter the Vietnamese market soon. This enterprise is a supplier of automotive components and is a large company with Regio-centric managerial structure.

Next, Vietnam's economic problems were analyzed to figure out what issues HR managers of MNEs in Vietnam have to solve. In short, there have been an increasing number of foreign companies, especially German ones, entering the Vietnamese market. This leads to an increasingly huge demand for qualified workers in this market.

Nevertheless, there has been always a lack of skilled workforce in Vietnam and as a result, the MNEs have no other solution but to try to lure away the best talent from other companies to their own. Hence, the problem is employee retention.

Based on the roots of the problem, the author provided about 30 suggestions to help reduce turnover rate in the MNEs. These solutions were suggested for the Recruitment stage; Training and Development stage; and Compensation and benefit stage. To summarize all of these solutions, caring about the employees' expectations and understanding more about their staff whilst meeting their demands is a major tip for HR managers regarding this problem.

Last but not least, the positive evaluation from real HR managers of German enterprises including Beiersdorf Vietnam Limited Liability Co., TANNER Vietnam Ltd., and Pepperl+Fuchs (Vietnam) Co. Ltd. was provided to strengthen the perspectives of the author.

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Appendix 1

Questionnaire for HR managers of German companies in Vietnam

Ngo Quynh Van (van.ngoquynh@gmail.com)

a) Objective of the thesis and the interview

Making the right decision to take advantage from the human resources in Vietnam and making them professional as well as keeping them loyal are issues worth to be discussed. In short, the main goal of my thesis is to come up with valid and hands-on “tips for HR managers of German companies entering the Vietnamese market”. Not every aspect of HR is concerned but the focus is on how to shape HR core process to retain people. I already analyzed the current situation HR managers of a German MNE in Vietnam have to deal with and came up with suggestions on how to handle the challenges as well as avoid obstacles. With the interviews I want to evaluate the tips with regards to practicability and prospects of success.

b) Structure of the interview

The interview questions below are divided into three sections:

4. Recruitment
5. Training and Development
6. Compensation and Benefit.

All of these questions are linked to the solutions that have been suggested in the thesis, regarding how to retain employees. Furthermore I need a few demographic specifications.

c) Interview Questions

Demographic data

1. Interviewee:
 - What is your name?
 - Are you from Vietnam or how long have you been living in Vietnam?
 - How long have you been in this company? What other companies did you work for before?
 - How long have you been in this position?
2. Company
 - What is the name of the company?

What is the country of origin of the company?

Is it the main branch of the company in Vietnam?

In how many countries is your company doing business?

When did your company enter the Vietnamese market?

What is the size of your company (worldwide/in Vietnam/at a specific location)?

What kind of employee are you looking for? (Specialists or generalists)

What kind of job scope do you have? (Standardize or specific?)

How loyal are your employees (qualitative and quantitative data with regard to employee engagement index, job tenure and turnover would be of help?)

RECRUITMENT

3. If you usually recruit generalists, do you seek for a large amount of potential candidates who are non-specialized at a time?
Are you satisfied with the method you are using?
Do you think this method to recruit generalists helps to save costs? maybe
4. In the recruiting process, are your job description and messages very realistic or more idealistic?
Are you satisfied with the method you are using?
Do you think applying realistic job description will help employees stay loyal?
5. In the recruiting process, are the candidates getting information about their promotion opportunities and career path?
Are you satisfied with the method you are using?
Do you think this kind of information should be included in recruiting process for better employee retention?
6. With a look to a selection procedures, are you certain that you only hire people with focus on the required qualifications without bias?
Are you satisfied with the methods you are using?
Do you think that it helps to fully utilize employees' capabilities by giving them the right position and the right job, leading to better employee retention?
7. Will you take on candidates who stayed with their last company for only 6 months?
Why/Why not?

Do you think the length of time they stay with their last company can determine how loyal they will be with your firm?

8. To what extent do you apply internal recruitment (i.e.: transferring personnel who are already working for and have long-term commitment with the company to the blank position)?

Are you satisfied with the method you are using?

Do you think this recruiting method will help reduce turnover?

TRAINING AND DEVELOPMENT

9. To what extent do you analyze your employees' needs and wants before making promotion policies? Why/Why not?

Are your employees satisfied with their jobs, their opportunities and the company's promoting policies?

Do you think that suitable and realistic promotion policies can help reduce employee turnover?

10. Do you plan a career path for each individual? Do you have job enrichment programs? Why/Why not?

Did your employees quit their jobs due to the boring tasks or non-specified career paths?

Do you think that if HR management cares about each individual's career path, employee will be more motivated to achieve the goals and therefore stay longer with the company?

If your employees need to enhance their skills, do you provide financial support for them? To what extent?

11. Do you provide free courses to help your employees to enhance their skills? For example, a free English or German course at the language center? To what extent?

Are you satisfied with the method you are using?

Did any of your employees quit their job because they think they do not have the required skills?

Do you think providing these kinds of free courses will help your people more confident, useful and therefore stay loyal?

12. Did you organize workshops and exchange employees from one department to the others to help them learn from each other?

Are you satisfied with the method you are using?

Do you think that by providing chances for employees to exchange skills and knowledge with each other can reduce employee turnover?

13. At your company, is there a diverse workforce and working environment? (i.e.: native and international people, young and old employees, etc.)

Why/Why not?

Do you think that if a company has diverse workforce, its people can be more updated about new skills and knowledge because they learn from each other?

14. Do you provide your employees with online assessment test, face-to-face discussions with their supervisors and the like to improve themselves?

Are you satisfied with the method you are using?

Do you think that this way will be effective and help save costs in training?

15. Do you agree that working experiences (i.e.: learning by doing new tasks) are a training method?

Do you apply this method to your employees?

Are you satisfied with the method you are using?

COMPENSATION AND BENEFIT

16. Compensation packages should be designed in line with the overall HR strategy. Do you apply commission compensation to the employees who generate high productivity?

Are you satisfied with the method you are using?

Do you think pay-for-performance method will help make sure that innovation occurs and make the key employees stay loyal?

17. Does your company often conduct market research to find out whether your company's compensation are competitive enough?

Are you satisfied with the method you are using?

18. Do you apply fixed compensation rates to all employees in the same level, or do you also apply customized compensation packages for high-position personnel?

Are you satisfied with the method you are using?

Do you think that providing customized compensation packages will assure fairness for the key employees and therefore reduce employee turnover?

19. To key-employees who are chased by the other competitors, do you pay them based on how much they are worth to those companies?
Why/Why not?
20. Have you ever applied gainsharing, profitsharing and stock options to the key employees who have great contributions to the company's business?
Are you satisfied with the method you are using?
Do you agree that this method will retain key employees?
21. Do you care about each individual's work-life balance and expectations?
Are you satisfied with how work-life balance and expectations are met?
Why/Why not?
Do you agree that if HR management cares and tries to meet their employees' expectations, they will be more motivated to stay?
22. Flexible working hours is a good method to help the employees achieve work-life balance and therefore stay longer. Do you agree with that?
Does your company apply this method?
23. Do you provide healthcare services for your employees? Why/Why not?
24. Other benefits such as free buses from home to work, sick-pay, free vacations are necessary to retain employees. Do you agree and has your company applied some of these? Why/Why not?
25. Do you have any additional remark to the topic of retention or to the interview itself?

Thank you so much!

Ngo Quynh Van

01.11.2013

Appendix 2

Questionnaire for HR managers of German companies in Vietnam

Ngo Quynh Van (van.ngoquynh@gmail.com)

And the answers of **Pepperl+Fuchs Vietnam Company Limited**'s HRM

d) Objective of the thesis and the interview

Making the right decision to take advantage from the human resources in Vietnam and making them professional as well as keeping them loyal are issues worth to be discussed. In short, the main goal of my thesis is to come up with valid and hands-on “tips for HR managers of German companies entering the Vietnamese market”. Not every aspect of HR is concerned but the focus is on how to shape HR core process to retain people. I already analyzed the current situation HR managers of a German MNE in Vietnam have to deal with and came up with suggestions on how to handle the challenges as well as avoid obstacles. With the interviews I want to evaluate the tips with regards to practicability and prospects of success.

e) Structure of the interview

The interview questions below are divided into three sections:

7. Recruitment
8. Training and Development
9. Compensation and Benefit.

All of these questions are linked to the solutions that have been suggested in the thesis, regarding how to retain employees. Furthermore I need a few demographic specifications.

f) Interview Questions

Demographic data

26. Interviewee:

What is your name? [Vo Thi Ngoc Tran](#)

Are you from Vietnam or how long have you been living in Vietnam? [I am from Vietnam](#)

How long have you been in this company? What other companies did you work for before? [I have worked for 2.5 years in Pepperl+Fuchs Vietnam Company. I worked for DaiViet Group – a](#)

real estate company.

How long have you been in this position? **Almost 5 years**

27. Company

What is the name of the company? **Pepperl+Fuchs Vietnam Company Limited.**

What is the country of origin of the company? **Germany**

Is it the main branch of the company in Vietnam? **No**

In how many countries is your company doing business? **More than 30 countries.**

When did your company enter the Vietnamese market? **2009**

What is the size of your company (worldwide/in Vietnam/at a specific location)? **Worldwide**

What kind of employee are you looking for? (Specialists or generalists) **both**

What kind of job scope do you have? (Standardize or specific?) **Specific**

How loyal are your employees (qualitative and quantitative data with regard to employee engagement index, job tenure and turnover would be of help?)

6.3% of total current employees has joined company for 4-5 years.

18.3% of total current employees has joined company for 3-4 years.

RECRUITMENT

28. If you usually recruit generalists, do you seek for a large amount of potential candidates who are non-specialized at a time? **Yes, we do (by activities such as Job fair, ...)**

Are you satisfied with the method you are using? **Not really, I would like to find out more methods.**

Do you think this method to recruit generalists helps to save costs? **No, I don't.**

29. In the recruiting process, are your job description and messages very realistic or more idealistic? **The job description and messages are very realistic.**

Are you satisfied with the method you are using? **Yes**

Do you think applying realistic job description will help employees stay loyal? **Yes, of course.**

30. In the recruiting process, are the candidates getting information about their promotion opportunities and career path? **Yes, they are**

Are you satisfied with the method you are using? **Yes**

Do you think this kind of information should be included in recruiting process for better employee retention? **Yes, I do**

31. With a look to a selection procedures, are you certain that you only hire people with focus on the required qualifications without bias? **Yes, I am**

Are you satisfied with the methods you are using? **I think it should be improved more**
 Do you think that it helps to fully utilize employees' capabilities by giving them the right position and the right job, leading to better employee retention? **Yes, I do**

32. Will you take on candidates who stayed with their last company for only 6 months?
 Why/Why not? **It could be. If the candidates have a reasonable reason and suitable qualification, we will consider hiring them.**
 Do you think the length of time they stay with their last company can determine how loyal they will be with your firm? **This is just for reference. We will explore more in the interview to clarify it.**
33. To what extent do you apply internal recruitment (i.e.: transferring personnel who are already working for and have long-term commitment with the company to the blank position)?
We transfer internal staff if both employee and company prefer.
 Are you satisfied with the method you are using? **Yes, I am**
 Do you think this recruiting method will help reduce turnover? **Yes, I do**

TRAINING AND DEVELOPMENT

34. To what extent do you analyze your employees' needs and wants before making promotion policies? Why/Why not?
 Are your employees satisfied with their jobs, their opportunities and the company's promoting policies? **Our factory has not the tool to survey their satisfaction**
 Do you think that suitable and realistic promotion policies can help reduce employee turnover? **Yes, I do**
35. Do you plan a career path for each individual? **No, I don't.** Do you have job enrichment programs? Why/Why not? **No, I don't. But some section leader realized its importance and has been building it.**
 Did your employees quit their jobs due to the boring tasks or non-specified career paths? **There has not been any record like that.**
 Do you think that if HR management cares about each individual's career path, employee will be more motivated to achieve the goals and therefore stay longer with the company? **Yes, I do**
 If your employees need to enhance their skills, do you provide financial support for them? To what extent? **Yes, our company have a training policy that provide employees training sponsored by company based on training need analysis report.**

36. Do you provide free courses to help your employees to enhance their skills? For example, a free English or German course at the language center? To what extend? *As above*
 Are you satisfied with the method you are using? *Not totally, I still want to improve it*
 Did any of your employees quit their job because they think they do not have the required skills? *There has not been any record like that.*
 Do you think providing these kinds of free courses will help your people more confident, useful and therefore stay loyal? *Yes, I do. But I think it doesn't work always. They may quit their job even when they are trained more skill and knowledge.*
37. Did you organize workshops and exchange employees from one department to the others to help them learn from each other? *We organized workshop but did not exchange employees between departments each other.*
 Are you satisfied with the method you are using? *Not totally, I still want to improve it*
 Do you think that by providing chances for employees to exchange skills and knowledge with each other can reduce employee turnover? *Maybe*
38. At your company, is there a diverse workforce and working environment? (i.e.: native and international people, young and old employees, etc.) *No*
 Why/Why not? *Because most employees here are young Vietnamese.*
 Do you think that if a company has diverse workforce, its people can be more updated about new skills and knowledge because they learn from each other? *Yes, I do*
39. Do you provide your employees with online assessment test, face-to-face discussions with their supervisors and the like to improve themselves? *No*
 Are you satisfied with the method you are using? *No*
 Do you think that this way will be effective and help save costs in training? *Yes*
40. Do you agree that working experiences (i.e.: learning by doing new tasks) are a training method? *Yes*
 Do you apply this method to your employees? *Yes*
 Are you satisfied with the method you are using? *Yes*

COMPENSATION AND BENEFIT

41. Compensation packages should be designed in line with the overall HR strategy. Do you apply commission compensation to the employees who generate high productivity? **No**
 Are you satisfied with the method you are using? **No**
 Do you think pay-for-performance method will help make sure that innovation occurs and make the key employees stay loyal? **Yes, I do**
42. Does your company often conduct market research to find out whether your company's compensation are competitive enough? **Yes, but not intensive**
 Are you satisfied with the method you are using? **No**
43. Do you apply fixed compensation rates to all employees in the same level, or do you also apply customized compensation packages for high-position personnel? **I apply customized compensation packages for high-position personnel.**
 Are you satisfied with the method you are using? **Yes**
 Do you think that providing customized compensation packages will assure fairness for the key employees and therefore reduce employee turnover? **Yes**
44. To key-employees who are chased by the other competitors, do you pay them based on how much they are worth to those companies? **Yes** Why/Why not? **Because they will realize that we appreciate their performance and worth.**
- 45.
46. Have you ever applied gainsharing, profitsharing and stock options to the key employees who have great contributions to the company's business? **Not yet**
 Are you satisfied with the method you are using? **Yes**
 Do you agree that this method will retain key employees? **Yes**
47. Do you care about each individual's work-life balance and expectations? **Not yet**
 Are you satisfied with how work-life balance and expectations are met? **No**
 Why/Why not?
 Do you agree that if HR management cares and tries to meet their employees' expectations, they will be more motivated to stay? **Yes**
48. Flexible working hours is a good method to help the employees achieve work-life balance and therefore stay longer. Do you agree with that? **Yes. But it depends on each specific work.**
 Does your company apply this method? **Yes, but for restricted group of staff.**

49. Do you provide healthcare services for your employees? Why/Why not? Yes, I do. Because we want our employee realize that we care about their health. And if they are healthy, they will contribute more value for company.
50. Other benefits such as free buses from home to work, sick-pay, free vacations are necessary to retain employees. Do you agree and has your company applied some of these? Yes, I do. But instead of providing free buses, employee receive an allowance of transportation based on their accommodation's location. Why/Why not? Because we care about their health. And we understand that the employee needs to refresh themselves after hard-working year.
51. Do you have any additional remark to the topic of retention or to the interview itself? No

Thank you so much!

Ngo Quynh Van

01.11.2013

Appendix 3

Questionnaire for HR managers of German companies in Vietnam

Ngo Quynh Van (van.ngoquynh@gmail.com)

And the answers of **Beiersdorf Vietnam**'s HRM

a. Objective of the thesis and the interview

Making the right decision to take advantage from the human resources in Vietnam and making them professional as well as keeping them loyal are issues worth to be discussed. In short, the main goal of my thesis is to come up with valid and hands-on “tips for HR managers of German companies entering the Vietnamese market”. Not every aspect of HR is concerned but the focus is on how to shape HR core process to retain people. I already analyzed the current situation HR managers of a German MNE in Vietnam have to deal with and came up with suggestions on how to handle the challenges as well as avoid obstacles. With the interviews I want to evaluate the tips with regards to practicability and prospects of success.

b. Structure of the interview

The interview questions below are divided into three sections:

1. Recruitment
2. Training and Development
3. Compensation and Benefit.

All of these questions are linked to the solutions that have been suggested in the thesis, regarding how to retain employees. Furthermore I need a few demographic specifications.

c. Interview Questions

Demographic data

1. Interviewee:

- What is your name?
[Nguyen Ha Trang.](#)
- Are you from Vietnam or how long have you been living in Vietnam?
[Yes, I am from Vietnam. I was born here.](#)

- How long have you been in this company? What other companies did you work for before?
I have been working here since July 2010 when the Company was in the stage of closing the rep office and establishing the affiliate.

Before Beiersdorf, I worked for Prudential Assurance Vietnam, PHO 24 Corporation, and Renaissance Riverside Hotel Saigon.

How long have you been in this position?

I have been Head of Country HR for BDF Vietnam for 3 years and 4 months.

2. Company

- What is the name of the company?
Beiersdorf Vietnam Company Limited
- What is the country of origin of the company?
Hamburg, Germany
- Is it the main branch of the company in Vietnam?
Yes.
- In how many countries is your company doing business?
Over 160 countries.
- When did your company enter the Vietnamese market?
Since 2003.
- What is the size of your company (worldwide/in Vietnam/at a specific location)?
Worldwide.
- What kind of employee are you looking for? (Specialists or generalists)
Both, but more on specialists who have specific experience and job knowledge to run our business.
- What kind of job scope do you have? (Standardize or specific?)
From Staff to Management level.
- How loyal are your employees (qualitative and quantitative data with regard to employee engagement index, job tenure and turnover would be of help?)

RECRUITMENT

52. If you usually recruit generalists, do you seek for a large amount of potential candidates who are non-specialized at a time?
No. The reason is even though we are a young company with 3 years of operation, but with our lean organization structure + a fast growing business model, we target at “buying young talents” from other multi national companies then building them further to grow themselves and grow our business.

Are you satisfied with the method you are using? **Yes.**

Do you think this method to recruit generalists helps to save costs? **Yes, but we need to apply flexibly depends on your business strategy.**

53. In the recruiting process, are your job description and messages very realistic or more idealistic? **Realistic to deliver the job and business, but might be a bit idealistic for people development and promotion.**

Are you satisfied with the method you are using?

Not really, but we are committed to provide quality job description to our Employees.

Do you think applying realistic job description will help employees stay loyal?

Not really.

54. In the recruiting process, are the candidates getting information about their promotion opportunities and career path?

No, as we don't want to deliver promise at this stage due to our lean organization model and it also depends on employee's capability as well. We just mentioned to them that the Company promotes internal development and we have been supporting a lot on this. It will depend on the business growth and organization growth to create further opportunities in the future.

Are you satisfied with the method you are using?

Not really. We need to do more next years to improve our selection better.

Do you think this kind of information should be included in recruiting process for better employee retention? **Yes. Career development is one of the top criteria for employee retention, but we will not provide in recruitment process.**

55. With a look to a selection procedures, are you certain that you only hire people with focus on the required qualifications without bias?

Yes, we are.

Are you satisfied with the methods you are using?

Not really. Still need to improve further to build our Employer branding in attracting talents.

Do you think that it helps to fully utilize employees' capabilities by giving them the right position and the right job, leading to better employee retention?

Yes, I do.

56. Will you take on candidates who stayed with their last company for only 6 months?

In reality, not yet. But in practical way, it depends on each situation and qualification of candidates (e.g. when you approach to hunt people, when people don't fit with his/her new company culture, etc.)

Why/Why not?

Do you think the length of time they stay with their last company can determine how loyal they will be with your firm?

In the past yes. In reality, we need to deal with generation career movement and ambition.

57. To what extent do you apply internal recruitment (i.e.: transferring personnel who are already working for and have long-term commitment with the company to the blank position)?

It depends on Employee's readiness to the new job and their personal interest in career opportunities. We do apply this currently in our Company.

Are you satisfied with the method you are using?

For the current time is okay, but I still want to do more.

Do you think this recruiting method will help reduce turnover?

Yes, in the aspect that if you put the right people to the right job, giving them the chance to do the best everyday.

TRAINING AND DEVELOPMENT

58. To what extent do you analyze your employees' needs and wants before making promotion policies? Why/Why not?

I don't understand this question clearly. But in BDF, we have 3 potential criteria to identify leadership talents and together with Employee's performance, this will decide Employee promotion.

Are your employees satisfied with their jobs, their opportunities and the company's promoting policies?

For young talents who have been working with us for more than 2 years, they are happy with the career development in the Company. For new talents, it's too soon to say now. They need to perform first.

Do you think that suitable and realistic promotion policies can help reduce employee turnover?

Rather than that, a practical and realistic career road map for young population and lean organization model will be better.

59. Do you plan a career path for each individual? Do you have job enrichment programs?

Why/Why not?

We are still working on this.

Did your employees quit their jobs due to the boring tasks or non-specified career paths?

No.

Do you think that if HR management cares about each individual's career path, employee will be more motivated to achieve the goals and therefore stay longer with the company?

In practical way, career path is only applicable for high potential people who have opportunity and capability to grow further in their career. Every organization still needs to have solid performers who dedicated to deliver their performance at a certain level. If you study HR management, you will know the pyramid model in organization structure and therefore, career development as well as promotion cannot be given to everyone.

If your employees need to enhance their skills, do you provide financial support for them? To what extend?

We provide high impact coaching and training to develop them every year.

60. Do you provide free courses to help your employees to enhance their skills? For example, a free English or German course at the language center? To what extend?

Are you satisfied with the method you are using?

All training/ coaching courses are free in our company, but we don't provide to everyone, it will depend on their job requirement and business requirement.

Did any of your employees quit their job because they think they do not have the required skills?

No.

Do you think providing these kinds of free courses will help your people more confident, useful and therefore stay loyal?

Somehow but not really as we need to do more to retain them.

61. Did you organize workshops and exchange employees from one department to the others to help them learn from each other?

Yes. But currently we promote internal department workshop/ training to share and learn from each others, especially most of them are specialists, e.g. Marketing, Sales, Finance, HR.

Are you satisfied with the method you are using?

Not really, still want to do more.

Do you think that by providing chances for employees to exchange skills and knowledge with each other can reduce employee turnover?

Somehow but not really.

62. At your company, is there a diverse workforce and working environment? (i.e.: native and international people, young and old employees, etc.)

All of our Employees are Vietnamese with around more than 70% women, mixed between generation X & Y, but Y dominant.

Why/Why not?

Do you think that if a company has diverse workforce, its people can be more updated about new skills and knowledge because they learn from each other?

Yes.

63. Do you provide your employees with online assessment test, face-to-face discussions with their supervisors and the like to improve themselves?

We provide 1:1 coaching and feedback sharing.

Are you satisfied with the method you are using?

Do you think that this way will be effective and help save costs in training?

Yes.

64. Do you agree that working experiences (i.e.: learning by doing new tasks) are a training method?

Yes

Do you apply this method to your employees? Yes, e.g. assign project.

Are you satisfied with the method you are using? Somehow.

COMPENSATION AND BENEFIT

65. Compensation packages should be designed in line with the overall HR strategy. Do you apply commission compensation to the employees who generate high productivity?

We provide incentive scheme for our Sales force only. For other Employees, we have Performance Bonus and it will be decided based on Company's performance and individual performance.

Are you satisfied with the method you are using?

Do you think pay-for-performance method will help make sure that innovation occurs and make the key employees stay loyal? Yes.

66. Does your company often conduct market research to find out whether your company's compensation are competitive enough? Yes, annually.

Are you satisfied with the method you are using? Yes.

67. Do you apply fixed compensation rates to all employees in the same level, or do you also apply customized compensation packages for high-position personnel?

We differentiate people compensation by performance and job level.

Are you satisfied with the method you are using? Yes.

Do you think that providing customized compensation packages will assure fairness for the key employees and therefore reduce employee turnover? *Yes, especially for small company. But you still need to work to ensure you have clear rationale, internal equity, pay policy, etc.*

68. To key-employees who are chased by the other competitors, do you pay them based on how much they are worth to those companies?

No. We cannot compete by money, we need to win their heart and their heart as well (e.g. Company culture, working environment, career development)

Why/Why not?

69. Have you ever applied gainsharing, profitsharing and stock options to the key employees who have great contributions to the company's business?

No. Not applicable for this company.

Are you satisfied with the method you are using?

No.

Do you agree that this method will retain key employees?

Yes.

70. Do you care about each individual's work-life balance and expectations?

Yes.

Are you satisfied with how work-life balance and expectations are met?

No, due to business growth and high attack from our competitors.

Why/Why not?

Do you agree that if HR management cares and tries to meet their employees' expectations, they will be more motivated to stay?

We want to deliver more than expectation to differentiate ourselves from other competitors who bigger and stronger than us, especially on Employer branding.

71. Flexible working hours is a good method to help the employees achieve work-life balance and therefore stay longer. Do you agree with that?

Yes.

Does your company apply this method?

Not yet.

72. Do you provide healthcare services for your employees? Why/Why not?

Yes.

73. Other benefits such as free buses from home to work, sick-pay, free vacations are necessary to retain employees. Do you agree and has your company applied some of these? Why/Why not?

Yes, this is one of the hygiene factors we should have to align with local market.

74. Do you have any additional remark to the topic of retention or to the interview itself?

For retention, we should think of both financial and non-financial key success factors to provide to your talents, not retain ALL. The local talent war in FMCG in Vietnam is very tough, once we attract talents from other organization, we need to think how to develop them and retain them with us, win their head and their heart. That's why we need to do MORE to retain them like Marketing people always do innovation to win their consumers/shoppers.

Thank you so much!

Ngo Quynh Van

01.11.2013

Student Declaration

I hereby declare that this thesis is my own work and effort. I have not used any other than the permitted reference materials or sources. This work is also not engaged in any plagiarism. I also declare that the work has not been submitted anywhere else, neither in its original or a similar form.

Heilbronn, 7 January 2014.

Ngo Quynh Van.

